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ABSTRACT

This paper examines the role of formal and informal sources of information in a higher education governing board's decision to close its doors, merge with another institution, or continue to struggle for independent survival. Answers to the deciding questions were found in the shared experiences of governing board members as they confronted obstacles and formulated a final decision. This study was grounded in a multiple case study analysis of three small, private colleges facing similar decisions in which one closed (Jesson College), one merged (Hendrickson College), and one continued to struggle for independence (Quinn College). In the first phase of the study, research focused on document analysis, including minutes of governing bodies, admission and enrollment reports, and college catalogues. In the second phase, in-depth qualitative interviews were conducted with three to four trustees from each institution. The third phase involved obtaining an aggregate view of board members' access to information about the college, preferences for formal and informal sources of information, and the manner in which this information was utilized. Overall conclusions were based on a synthesis of the insight gained from the qualitative research with the results of the quantitative analysis. Findings indicate that boards gather information through both formal and informal channels that greatly impact their decision-making process. It was noted that formal sources do become more important as the crisis situation develops. (Contains 28 references.) (NAV)

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The Role of Formal and Informal Sources of Information in Trustee Decision Making at Small Private Colleges Struggling for Survival

Mark L. Putnam, Ed.D.

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INTRODUCTION

When the governing board of a struggling college must decide whether to close its doors, merge with another institution, or reorganize for survival, the decision-making process is a complex mix of factual interpretations, interpersonal relationships, competing values, and personal attitudes. Yet, as researchers consider the antecedents to the closure of a struggling college or its merger into another institution, attention seems to focus on declining enrollments, limited endowments, constituent relationships, and accusations of mismanagement. While colleges in decline often share these characteristics the post hoc analysis of reports, budgets, balance sheets, and organizational design charts will only reveal the obvious--the institution was facing a crisis.

Despite the warning signs that are apparent as a college begins to seriously decline, the information available to board members through institutional research and financial reports seems to have a narrow influence on the decision-making process. Colleges in decline will often struggle for survival even when the relevant data points to the contrary. Since board members who are mindful of their fiduciary duties and legal responsibilities will naturally gather information to support a decision of this magnitude, the sources of information on which boards depend are of paramount concern.

Information about the institution can be gathered by governing board members through both formal and informal channels (Bostain, 1989). The formal channels may include a variety of sources such as periodic board reports, institutional research and planning projects, financial reports and analyses, and enrollment trends and forecasts. The informal sources are likely to be conversations with other board members, the president, administrators, faculty members, alumni, students, and the board member's own observations.

The purpose of this study, a doctoral dissertation completed in 1994 for the Department of Higher and Adult Education at Teachers College, Columbia University (Putnam, 1994), was to examine the role of formal and informal sources of information in a governing board's decision to close

its doors, merge with another institution, or struggle for survival. Accordingly, the two questions posed were, what role do these formal and informal sources of information play in the dynamics of a board's decision to close its doors or merge with another institution, and how do these sources influence the final outcome? The answers to these questions were found in the shared experiences of governing board members as they encountered the obstacles and formulated a response. The study was grounded in a multiple case study analysis, examining three small private colleges whose identities were masked to ensure confidentiality. These colleges included: Jesson College which closed in 1990, Hendrickson College which merged with another institution in 1991, and Quinn College which continues to struggle for survival.

METHODOLOGY

The study of each institution relied on a triangulated research design. The first phase of the research focused on the analysis of documents provided by each college. These documents included minutes of full governing board and executive committee meetings, financial statements, admissions and enrollment reports, and portions of the college's catalog. The analysis of these documents collectively formed a foundation for recounting the essential characteristics of each case.

The second phase of the research relied on in-depth qualitative interviews conducted with a sample of three or four trustees from each institution. The purpose for the interviews was to closely examine each board's process of information gathering and utilization of the information in decision making.

The third phase focused on obtaining an aggregated view of board members' access to information about the college, preferences for formal and informal sources of information, and the manner in which the information obtained was utilized. In order to examine these areas, a survey instrument was designed for distribution to all the board members of each institution who participated

in the decision-making process during the period of crisis.

The overall conclusions were drawn from a synthesis of the insight gained from the qualitative research with the results of the quantitative analysis. This yielded a study that offers both the in-depth view captured through the document analysis and interviews which informed the case study, and the more aggregated view of the quantitative data obtained through the survey instrument.

LITERATURE REVIEW

A study of trustee decision making as it relates to college closures and mergers requires a review of the relevant literature in three major areas. First, the literature on trusteeship is essential since the governing board of a college or university is a unique body, legally charged with the responsibility to care for its institution's welfare. Any decision that is ultimately made regarding the future of an institution of higher education rests with the board of trustees.

Second, it is vital to examine the literature that investigates the issues surrounding institutional survival. Before an institution faces the possibility of closure or merger, it will quite often endure a period of organizational decline. Thus, each institution that closes or merges into another college first embarks on a quest for survival. To understand the nature of college closures and mergers, it is necessary to first review the causes of decline and then the struggle for survival.

Third, while closures and mergers are qualitatively different outcomes for declining colleges, it is necessary to treat them as one in reviewing the literature. Much of the research and writing on the subject considers these to be two slightly different outcomes from an essentially similar process of decline and decision making. An institution in decline will often investigate these alternatives simultaneously as decisions about the future are considered. As a result, the literature often links discussions of institutional closure to the possibilities of merger with other institutions.

The Role of the Board of Trustees

Once the viability of an institution is brought into question, its board of trustees must weigh options and determine appropriate actions. It may be that the decision to survive is made and supported by measures designed to ensure the college's future. Or perhaps a decision to seek a closure or merger is chosen and alternatives for handling the transition with care are mapped out. Whatever the case, decisions will be made in the context of a board room that is only occupied a few times each year. Accordingly, the nature of trusteeship is an essential area to investigate since it sheds light on the group of individuals who will decide the future of an institution.

Viewed as a whole, much of the literature on trusteeship that was written during the early and mid 1980's can be described primarily as "arm chair" research in which experienced board members and other educational leaders shared their wisdom regarding the essential roles and responsibilities of board members (Bowden, 1982; Houle, 1989; Ingram, 1980; Nason, 1982; Taylor, 1987; Zwingle, 1985). This first generation of literature offers two important components in examining the nature of trusteeship. First, trustees have available to them an extensive amount of material that describes and discusses the various functions of board service as well as important insights into the process of managing board operations. Second, there is a wealth of practical advice on ways to be successful as a board that have emerged through many years of collective experience in the service of higher education. While such information and advice is quite sound and very useful to board members in general, there has been a need for more rigorous research that goes beyond a descriptive or advisory capacity and examines the reasons that some governing boards are more effective than others in leading their institutions.

These demands for understanding effectiveness have spawned what can be referred to as a second generation of literature focusing on the effectiveness and evaluation of governing boards (Carver, 1990; Chait, 1989, 1990; Chait & Taylor, 1987; Chait, Holland & Taylor, 1991; Kerr &

Gade, 1989). The emphasis for these research projects has been the creation of a theoretical framework for examining board effectiveness and developing useful methods for board evaluation. Since this second generation of literature is only in its beginning stages, there is a tremendous need for research that can help us to learn not only what constitutes the basic functions of a governing board, but instead enables us to discover how governing boards can function well.

Traditional ideas about trusteeship, as they have emerged over the past several decades, have been based on rational models that have not necessarily described what governing boards are like in reality. Instead they are theoretical constructs that reflect notions of how governing boards should be organized and operate in an ideal world. The more recent studies have begun to force thinking in different terms, however. A shift is occurring in conceptions about trusteeship that will press researchers to study governing boards from a more critical point of view. Hence, this study attempts to increase our understanding of how board members gather information in responding to crises situations that threaten their institution's viability.

Institutional Decline and Survival

The literature on institutional survival focuses primarily on the struggles that small liberal arts colleges have faced since the late 1970's. The increasing costs of operating colleges and the decreasing population of high school students have combined to create an environment that threatens institutions that are especially tuition dependent (Hesburgh, 1983; Hammond, 1980; Mingle, 1981). Many of our small private institutions have suffered as competition between colleges has forced each institution to add services and improve facilities, while at the same time expending resources for promotional efforts to attract students.

Though the reality has not been as harsh as expected, early predictions of disaster for small private colleges surfaced in the late 1970's and early 1980's (Glenny, 1980; Keller, 1983). Many small

colleges have been resilient in the midst of crisis, and have survived by restructuring programs and opening their institutions to different student populations (West, 1982). As a result, a body of literature on the survival of small colleges has emerged, and offers strategies for approaching the issues that commonly face colleges in decline. Although each institution is unique in its mission, resources, and personnel, the strategies suggested are often broadly applicable to small private colleges that are willing to reorganize for survival.

O'Neill and Barnett (1980) discuss trustee responsibilities for measuring the health of an institution, particularly in the context of institutional survival. While supporting the use of strategic indicators to focus attention on pertinent issues, they acknowledge that no single group of indicators will fit every higher education institution. The unique nature of each college requires that board members be intimately aware of the position of their institution, given its unique context. Despite the shortcomings of relying on aggregated data to assess the health of an institution, the use of indicators is essential to framing questions that must be answered, and then interpreted as a foundation for action. They further argue that trustees have a responsibility to keep themselves informed, even though "several case studies on college closings indicate that trustees were surprised by the college's financial crisis" (O'Neill and Barnett, 1980, p. 6).

In particular, O'Neill and Barnett point to several problems that have often served as the last call for an institution on the brink. First, is the issue of short-term debt. Since small colleges often rely heavily on tuition for income, the pattern of their revenues is concentrated at the beginning of each term of attendance. As a result, there are times during the year when cash is exhausted and student accounts are in arrears, when the institution is forced to borrow from the bank to meet its financial obligations. The time can come, however, when a college fighting for its life in the midst of a declining enrollment will degenerate to the point where banks will not be willing to renegotiate the institution's debt. Ultimately, the availability of funds reaches its limit, deficits become overwhelming,

and options for survival disappear (O'Neill and Barnett, 1980).

The second issue a declining institution faces is a tendency to over-estimate potential income. Trustees must be discriminating as administrators begin to project enrollment figures and development giving at levels that are unprecedented or unlikely given the circumstances. In addition, dependence on "soft" sources of income as described earlier become especially problematic when the difficulties become severe (O'Neill and Barnett, 1980).

Third, there is a point at which the challenges that face an institution deteriorate its condition so severely that little can be done to prevent failure. Eventually the institution reaches what O'Neill and Barnett (1980, p. 13) refer to as "critical mass." The situation is one in which every action taken to intervene on the institution's behalf actually weakens its position further. Efforts to reduce the faculty will often result in the retaining of tenured members at the highest salary levels. Lowering admission standards may lead to the need for remedial instruction that the institution cannot afford to provide. Opening new programs generally leads to additional costs. Accordingly, if a board of trustees does not carefully monitor the progress of the college, the point of critical mass can suddenly be reached, and attempts to restructure may be initiated too late in the process.

It is clear that small private colleges will continue to encounter difficult challenges in the days ahead. It is also apparent that the present realities of institutional governance make it difficult to involve board members adequately, and keep them informed in a timely and thorough manner. It is further evident that even if trustees of distressed institutions are properly engaged and informed, they will not necessarily feel the freedom to act unilaterally, despite the fact that they have the authority. The shared governance system that has emerged in American higher education requires that each constituent group have a voice in the process. The difficulty is that by the time the voices quiet down, there is little room for discussion about the ultimate outcome.

College Closures and Mergers

Due to the close interrelatedness of the issues surrounding college closures and mergers, it is necessary to consider them as a single category. Much of the literature refers to closures and mergers in tandem as was indicated earlier. As the literature is examined, it becomes apparent that an institutional merger can often be a closure in disguise. The closure of an institution is such a grave consequence that any opportunity an institution can find to avoid outright closure may be attractive. As a result, the occurrence of a "consolidation" merger in which two institutions together form an entirely new organization is rare. More commonly, the merger seems to take the form of a "dissolution/acquisition" model in which one institution is in reality acquired by another (O'Neill & Barnett, 1980; Chambers, 1983; Millet, 1976). Consequently, when looking at college closures or mergers, there is likely to be little difference in the antecedents to the decision for corporate change. The difference only appears in the actual outcome.

As the issues of institutional survival that were discussed previously became prominent during the late 1970's and early 1980's, a great deal of literature on college closures and mergers began to emerge. With the exception of a few noted individuals who devoted special efforts to creating comprehensive guides for institutions approaching a closure or merger (Chambers, 1981; Chambers, 1983; Millet, 1976; O'Neill & Barnett, 1980) the majority of the literature has taken the form of case studies. In the early years of this phenomena this material was useful in developing a common understanding of the nature of the closure or merger process, and its effects on both the organization and the personnel involved.

In large part, however, the literature appears to be anecdotal since the ultimate reasons for college closures and mergers tend to be institutionally specific. Thus, the reasons that a particular decision for closure or merger was made came as the result of a unique institutional process. It can be argued that these works have contributed significantly to our understanding of the antecedents common

to most institutions in decline (decreasing enrollment, insufficient endowment, financial mismanagement, etc.) and the general effects of a closure or merger on the institution's personnel. Yet these factors are rather obvious to any informed researcher on the subject. Accordingly, the agenda for research on college closures and mergers needs to be expanded beyond the descriptive phase that has occupied the minds of researchers for more than a decade of small private college decline.

O'Neill (1983, p. 26) writes, "In normal times a board of trustees may have no more power than a constitutional monarch. But when a government is about to fall, the monarch plays a crucial role in the orderly transition of power." So it is in the case of a closure or merger. Once a decision is made, the work for the board has only begun. The extensive lists of activities and decisions that appear in the literature on closures and mergers seem to suggest that with every decision comes more questions to be answered and more problems to be solved. This reality is enough on its own to encourage a board to avoid a closure or merger. In fact, the literature in general reveals that the cases in which serious problems emerged during the closure or merger process, the board did not plan its actions carefully or consider the consequences.

Healy (1977) studied the involvement of board members at four institutions that closed and discovered that members of these boards were less involved than those at surviving colleges in the presidential and trustee selection process, budget development, long-range planning, student life regulations, retirement plans, and investment policies. They were more involved in academic affairs, alumni affairs, and fund raising. While the study was limited in scope, the suggestion that board members take less of an active role in many of the core financial issues as an institution declines, suggests a difference between the stated priorities of a board and those items which actually command the board's attention.

Howard (1980) found a similar result in a case study of board decision making regarding a merger. His analysis revealed that the trustees were not able to solve the college's most difficult

problems, despite their authority to act. They appeared unwilling to intervene as budget deficits continued from year to year, and constrained by the narrow sources of information. Mention is made of the optimistic enrollment projections offered by the president, a practice that O'Neill (1983) also refers to as he writes:

> President's feel free to concentrate on remedying the college's weaknesses and making institutional needs known to the board and to donors. Once, however, an institution begins to have money troubles, the open door to financial information often closes swiftly . . .
>
> One of the paradoxes of college administration is that a president can talk to the board about the college's weak points only when the institution as a whole is sound. Once the institution begins to run deficits in its current account, presidential weakness becomes identified with institutional weakness. Then presidents concentrate on the hopeful signs of a turnaround (O'Neill, 1983, p. 27).

Essentially, the role of the board comes down to the standard of care it is required to uphold in governing the institution and managing the trust. Johnson and Weeks (1989) note that a standard of trust has not been applied to college and university trusteeship. This type of trust requires that a trustee exhibit a standard of care that would be used if he or she were caring for personal property. Instead, the standard for trustees in higher education is one of reasonable care in which the trustees act in good faith on behalf of the institution. At issue in the case of institutional decline is the choice between spending assets to maintain the operation of the institution, or preserving assets by closing the institution and allowing the funds to be used for another charitable purpose. The balancing act between these two considerations represents the essence of the decision that trustees must make in determining the fate of a struggling college. The difficulty is that the dynamics of the situation cloud the process, making these distinctions less than clear.

The board of trustees is in the unenviable position of making a crucial life and death decision for its institution. If a board lacks the preparedness to handle the normal challenges that arise in the leadership of colleges and universities, and the complexity of the issues associated with institutional

decline and survival, the decision to close or merge is overwhelming for even the most experienced board members. Changes of this magnitude seem to take on a life of their own as the agendas of the president, the faculty, the staff, the administration, the students, the parents, the alumni, donors, vendors, and community leaders converge with the legal system, the state higher education authorities, the accrediting associations, the auditors and the banking community. At the middle sits a board of trustees that has a minimal amount of contact with the institution, and relies on all of the above players for information and support in the decision-making process. It is no wonder that indicators of decline are not necessarily consistent with the decisions boards reach. They must weigh the needs of each group and organization listed above, and the unique perspective they bring to the table. Consequently the decision to close or merge an institution is not and cannot be a rational process. It is rather a dynamic and unpredictable process that flows from the circumstances and the interpersonal contact that these decision makers encounter. As information flows through institutional channels it is filtered and interpreted at numerous points in the framework. Accordingly it is the interaction of the formal and informal sources of information that drive this decision-making process.

THE RESULTS OF THE STUDY

The three case studies which formed the basis for this research provide vivid illustrations of the consequences of organizational decline for small private colleges. Each institution was threatened by internal and external forces that precipitated a serious decline, eventually resulting in a financial crisis. The governing boards of these colleges were subsequently cast into a decision-making process purposed to preserve their institution, and uphold their trust.

In order to ensure confidentiality for each of the colleges in the study, identifiable characteristics were masked and pseudonyms were selected for each institution and any individuals referred to in the report. Jesson College was a small four-year church-related institution whose mission

was dedicated to the preparation of men and women for careers in church ministry. Following an extended period of decline, Jesson closed in 1990. Hendrickson College was a two-year women's college offering a set of professional degrees as well as preparation for further undergraduate study. The board of trustees at Hendrickson designed and implemented a merger/affiliation agreement with a nearby institution in 1991 in the face of a severe financial crisis. Quinn College was a four-year residential liberal arts college for women. The board discovered the emerging financial crisis as the result of a faculty "vote of no confidence" in the president and eventually developed a plan to recapitalize the institution and reorganize for survival.

Fundamental to their ability to chart a path for their respective institutions, was the task of gathering and filtering information essential to reaching the decision that ultimately defined the future. Each of the colleges studied was faced with the same three options: closure, merger/affiliation, or restructuring for survival. The colleges each came to a different conclusion for institutionally specific reasons, but the decisions they faced were quite similar. The information obtained by each governing board came through both formal and informal channels, and these sources of information directly impacted their decision-making process.

Sources of Information in Trustee Decision Making

The participating board members emphasized the importance of using information from both formal and informal channels, and that no single type of source in isolation served as a determinant. The results from a portion of the survey that asked the respondents to rank their top five sources of information was aggregated for cross-case analysis and is presented in Table 1. The surveys together yielded a total of 59 usable responses to the ranking question.

Table 1. The Cumulative Ranking of Information Sources from All Three Colleges

Information Sources (n=59) F = Formal Sources, I = Informal Sources	Type of Source	Total Points	Total Score
Financial Reports and Balance Sheets	F	152	2.58
Regular Board Meeting Reports	F	133	2.25
Personal Contacts with the President of the College	I	93	1.58
Personal Contacts with Other Members of the Board	I	92	1.56
Enrollment Reports and Forecasts	F	79	1.34
Oral Presentations by Administrators	F	57	0.97
Area Reports from Administration	F	38	0.64
Personal Contacts with Members of the Faculty	I	35	0.59
Personal Contacts with Administrators	I	33	0.56
Strategic/Long-Range Planning Reports	F	24	0.41
The Mission Statement	F	23	0.39
Minutes from Board Meetings	F	22	0.37
Personal Contacts with Students	I	13	0.22
Observations of Administrative Activities	I	13	0.22
Personal Contacts with Alumni/ae	I	11	0.19
Faculty Committee Minutes	F	09	0.15
Observation of Campus Facilities	I	07	0.12
The Constitution and Bylaws	F	06	0.10
Personal Contacts with Leaders in the Local Community	I	05	0.08
The Local Newspaper	I	04	0.07
The Alumni/ae Newsletter	I	04	0.07
The Faculty Handbook	F	03	0.05
The Student Newspaper	I	02	0.03
Personal Contacts with the Staff	I	01	0.02
Observations of Classroom Activities	I	00	0.00
The Catalog	F	00	0.00
Observation of Campus Services	I	00	0.00
The Administrative (Staff) Handbook	F	00	0.00
Administrative Operational Manuals	F	00	0.00

Since the circumstances of each case and the unique qualities of each governing board are crucial factors in the rankings, presentation in this aggregated form should not be considered conclusive of each institution. Rather the purpose for examining these cumulative rankings is to provide a summarized view of the rankings that were offered by all the trustees in the study. Since they each experienced a period of crisis decision making in similar circumstances, some general observations are possible.

The information sources that appeared consistently at the top of the rankings on the formal side were "regular board meeting reports," "financial reports and balance sheets," "enrollment reports and forecasts," and "reports from the administration"; while the primary informal sources were found in "personal contacts with the college president" and "personal contacts with other members of the board" (See Table 2).

Table 2. Top Five Information Sources for Each College

Jesson College	Hendrickson College	Quinn College
1. Board Meeting Reports	1. Financial Reports	1. Contacts with President
2. Financial Reports	2. Board Meeting Reports	2. Financial Reports
3. Contacts with President	3. Enrollment Reports	3. Other Board Members
4. Other Board Members	4. Other Board Members	4. Board Meeting Reports
5. Enrollment Reports	5. Oral Presentations by Administrators	5. Enrollment Reports

These, of course, varied slightly by institution, but it is plain that the boards were largely dependent on their administrators to provide timely and accurate information. The three case studies revealed, however, that in periods of crisis these avenues of information, regardless of their importance, were not sufficient to promote a comprehensive understanding of the circumstances. As a result, the boards insisted on further information from these primary formal and informal channels.

The Interaction of Formal and Informal Information Sources

The relationship between formal and informal sources was further revealed through three specific findings discovered through analysis of the board minutes, the interviews, and the survey data. First, the demand for formal information increased dramatically at each institution as the board became aware of the crisis, though rarely did the trustees get what they really needed or wanted. As the period of decline developed into a crisis at each of the institutions in the sample, the governing boards cited inadequacies in the financial reporting and directed the administration to provide more thorough and accurate financial information. For example, in the case of Hendrickson College, the formal information demands were recorded in the minutes as lists of questions that needed to be answered prior to the board's next meetings. The trustees developed an appetite for formal data that was essential to clarifying the current state of affairs. Without a clear understanding of the circumstances of the crisis, the possible actions that could be taken, and the potential implications of a future decision, the boards were incapable of developing a reasoned response to the challenges. The quality of their response hinged on the quality of the formal information they had available to define the nature of the crisis.

Second, 74.7% of all the trustees surveyed reported that they learned more about the institution by reading reports and listening to presentations, rather than talking informally to members of community. Formal sources provided an important segment of information that could be efficiently acquired through written and oral reports to the board. Virtually all aspects of the institution with which the boards were concerned during the months or years of crisis, could be at least partially if not totally represented in formal reports. The fact that such reporting summarized a great deal of information into aggregated form permitted board members to understand trends and comparisons that helped to illustrate the college's position. Those interviewed for the study consistently indicated that they reviewed every formal report that was presented to them. Hence, formal reporting served as a

tremendous vehicle for learning the facts of a given situation.

The inadequacy of formal information as reported by many of the trustees surveyed was associated with its reliability. By combining the responses of the trustees from all three cases, 50% agreed that there were times when they wondered if statistical or financial data provided was accurate and interpreted correctly. This was further supported in that only 26.1% of the trustees from the three institutions indicated that they were more confident in formal reports and documents than information obtained through other individuals or personal observations. Despite the assumption that formal information is generally considered to be more objective as a source, many of the trustees of these institutions largely held informal sources to be at least as reliable as formal. Those interviewed also supported this supposition by describing their activity in using informal sources of information to verify information gathered from informal channels and relying on informal sources to help them see beyond the formal information available.

Third, information gathering and interpretation occurred in a very controlled environment. The primary sources of formal information were prepared and presented by administrators who had the opportunity to frame the information to fit an agenda, interpret the results to support their own conclusions, or simply be in error with the facts. The case studies revealed that at each of the institutions, information prepared for the board was at times held in suspicion. Most of the trustees interviewed were careful to point out that the inconsistencies or inaccuracies were not intentional, but since board members were only present a few days each year, they were often at the mercy of the administration to provide information that accurately reflected the realities of the situation.

Beyond the formal information that was limited in scope, the informal sources of information were essentially confined to contact with the president and other members of the board. Under normal circumstances, enough small-scale information gathering occurred outside the boundaries of the board room to keep the trustees aware of the true state of affairs. However, in the case of Quinn College, the

board was blind to the deteriorating morale among faculty, staff, and students, until a "no confidence" vote in the president sounded an alarm which the board needed to hear.

The Influence of Formal and Informal Sources of Information on the Final Outcome

If the sources and content of information could be directly connected to a crisis decision made by a board of trustees, then the influence the information had on the final outcome would be readily apparent. Influences outside the formal and informal sources of information affected the resulting impact the information had on the ultimate decision. Decision making within the context of the board is a socially constructed process. Regardless of the information source, the relationships between board members and relationships between campus constituencies and the board directly influence the acceptance or rejection of information and impact the decisions that will be made. Three intervening variables were discovered in this study that could not be measured or predicted in anticipation of the decision. This is primarily true since these factors grew out of the lived experience of the board members and was revealed in their reflections after the decision was made and the crisis resolved.

Considering the Source of Information

One of the most important findings of this research was the overwhelming number of board members who judged the quality of the information they received in light of the confidence they had in the person presenting the information. In the overall survey results which combined the survey data from the three colleges, a total of 90.1% of the board members agreed with this assertion. The interviews yielded similar results, as board members continually referred to the importance of considering the source of information before judging its credibility. A trustee from Hendrickson College noted:

> I'd use the word reliability rather than trust, because trust implies mistrust, and I didn't mistrust anyone. But I had some questions as to whether the information that was provided was correct. Not that it was intentionally falsified, but whether you are looking at the numbers correctly and analyzing it correctly. Personal history is also a factor. We all deal with life this way. When you say something to me, my first question to myself is, "who is saying this," as opposed to "what is he saying."

The implication of this finding is that the personal experience a board member has with an administrator, or another board member who is preparing a report or delivering a presentation may directly influence the acceptance or rejection of the information. While the information may indeed be an accurate reflection of reality, it could be discounted if the messenger is not respected. Likewise information may be completely flawed, but if the board's history with the individual has been positive and the respect for the individual is high, it is likely that the information and the interpretation of its meaning will be accepted. Accordingly, information whether it comes through formal or informal channels will only be deemed worthy if the individuals associated with the report are held in high regard.

The Role of Presidential Leadership

Embedded in each of the case studies analyzed in this research project were difficulties associated with presidential leadership. In the case of Jesson College, the retirement of its founding president Dr. Andrew Wilson was followed by two presidents that the board members interviewed felt were not well suited for the position. During these times of increasing financial pressure, the college declined, and floundered as year after year the enrollment declined and budget deficits piled up. At Hendrickson College, Dr. Elizabeth Young served until her retirement, though the board did relieve her of her responsibilities a few months early to facilitate the affiliation process. Yet, under her leadership, the college was weakened by inadequate enrollment planning, financial reporting and decision making. As a result a financial crisis emerged that forced the college to seek a partnership

with a stronger institution. For Quinn College, the various presidential leaders offered the best and the worst examples found in the study. Dr. Rayanne Stewart withheld information from the board and painted a picture of security and growth as the indicators of decline were growing more apparent. The campus ultimately expressed its discontent with her leadership and a transition was initiated by the board. The interim leadership of Dr. Claire Simpson which opened the flood gates of information empowered the board to act, and preserved the college at least for the near term. Building on this relationship of trust, Dr. Mary Halverson continues the work of rebuilding the institution to the present day.

It would not be fair to attribute the decline of these institutions to those who served in leadership during the most challenging days of their existence. However, the type of leadership they exhibited in the midst of the crisis largely determined the adequacy and appropriateness of the response. The problem for most of these presidents was balancing the need to encourage and inspire the board, while at the same time presenting a realistic picture. The problem, of course, is that the president has an inherent interest in the success of the institution, and the association with decline is likely to mean the loss of a respected position.

As part of the case study data collection phase an opportunity presented itself to interview one of the presidents referred to in this study. One of the questions posed was, "What is it like for a president to present bad news to the board of trustees?" The answer suggested that the president must give a "measured and balanced picture," that presents the "correct perspective." This individual noted that the president must tell the board what is going on and share information so that they can get as clear a picture as possible, but the facts must be balanced with a sense of what must be and is being done to address the issues. A follow-up question was asked about how the president must differentiate between projections and realities. The response indicated that it was important for the president to keep the board informed by noting, "I want to tell you what I know, I want to tell you what I think, and

I want to tell you what I hope . . . and hope they keep it straight." For a president this balance is like walking a tight rope between presenting the reality of the situation to the board, and keeping them inspired.

The president, therefore, stands between the board and its decision-making process and the formal and informal sources of information that reflect the reality of the circumstances facing the institution. The uncertainty relates to how the president, when faced with a crisis that threatens the life of the institution, will react. The decision of the president in that circumstance will determine the nature and extent of the information made available to the board, and as a result will have a direct impact on the ultimate decision. For better or for worse, the board must put its trust in the president it has appointed and hope that their choice of a leader will serve them well if the institution becomes threatened.

Personal and Emotional Investments

The personal investments of board members in their institutions played a profound role in the decision-making process. In each case, there was ample evidence that despite serious questions of viability, the institutions purposed to struggle on and fight for their independent existence. The most amazing example of this attitude was demonstrated in Jesson College. While the mission of Jesson College as an educational institution was to prepare men and women for careers in Christian ministry, its institutional mission was subsumed in the larger mission of the Christian church. In the same way that the church was ordained by God, the college was believed by its board to carry a divine mandate that would ultimately insulate the institution from death. As a result, while the institution was fiscally buried, the board struggled on and fought on until the state higher education authorities and accrediting associations began to close in. Hence, the board's sincere commitment to its religious purpose overruled all of the formal and informal sources of information indicating that a merger or closure was

the only alternative left. Had the college heeded the warnings in 1986-87 and continued its discussion of a merger possibility, the closure of the institution may have been avoided.

There was significantly less personal and emotional involvement present in the dynamics of the Hendrickson College board decision-making process. While a few alumnae were present on the board and in positions on the executive committee, the majority of the board members were invested in the institution for reasons of civic and educational virtue and approached the deliberations and the ultimate outcome with a business-like attitude. These dynamics permitted the executive committee to act quickly and decisively, to implement an affiliation agreement within a six month period. The emotional investment of some was expressed in the process, but since the majority of the board did not carry that same level of emotion the move to preserve the mission of the institution through affiliation was not suppressed.

The Quinn College board was influenced heavily by its alumnae, who had a clear agenda to keep the college independent and free of any entanglements in an affiliation agreement. There were clear expressions from several board members that the emotional investment of the alumnae on the board prevented any plan for merger/affiliation from receiving serious consideration. One board member spoke of a time when the alumnae board members caucused in order to present a unified front. As a result, the agenda for restructuring and recapitalizing the college moved forward. Several references appeared in the minutes regarding other women's colleges that had struggled through difficult times and survived because their alumnae stood behind the institution. Accordingly, the emotional investment at Quinn College was very evident and had a tremendous impact on the decision-making process. The information they received that indicated a serious decline was in progress was viewed in the light of their own commitment to see the institution through, and they acted to sustain the college and stabilize its future.

Information that came to the boards of these institutions was filtered through the personal and

emotional investments of the board members. As a result, it was apparent that information did not necessarily drive a board to a particular outcome, if the values present on that board directed otherwise.

Therefore the confidence board members have in the producers and presenters of information, the role of the president in supplying information and inspiring the board to act, and the influences of trustees' personal and emotional investments in the institution, all intervene in the connection between formal and informal sources of information and the decision-making outcome. As a result, a board's decision in the context of a crisis can only be as good as the information available, and the impact of the available information will depend on the influences of these intangible factors described above.

Improving the Quality of Information

Even though there are influences that minimize the effects of information gathering, it is still vital that boards be given the opportunity as a crisis forms to understand the situation clearly, and have time to consider appropriate responses and their consequences. Of the entire sample of 71 trustees in the study, 74.6% felt well informed of the crisis as it began to unfold, but 64.8% wished they had learned about the realities of the crisis earlier in the process. Accordingly, the first opportunity to improve the quality of information for board members in these tough situations is to provide adequate notice that a problem is forming. Despite the fears administrators may have of a negative response, the board is more likely to increase its confidence in leadership that is transparent and forthright. The use of strategic indicators such as those suggested by Taylor, Meyerson, and Massey (1993) force the administration to monitor important trends that can provide early warning signs to the board that trouble may be coming.

Opportunities should also be planned to facilitate the exchange of informal sources of information. Building relationships of trust among members is as important to the crisis decision-

making process as quality formal reporting. When the mission of the institution is on the line, board members need to have a foundation for discussing the issues that reflect the inherent values of the college. This can only be developed over time, as members have a continuing dialogue and a shared sense of the college's purpose.

The second opportunity for improving the quality of information relates to what is actually presented to the board. Of the overall sample of trustees 49.3% felt that information vital to their decision-making process was unavailable, while 42.9% agreed that vital information was incomplete or distorted. These percentages suggest that a significant proportion of the board members in the study felt they were receiving inadequate and inaccurate information. It seems almost too simplistic to recommend that reporting be improved, but the answer is that simple. Care should be taken to present information that is consistent from year to year and clearly articulated. If the presentation of information is straightforward and easily discernable, then the board will be empowered to act in the best interest of the institution.

Third, one trustee who had served as a board chair at his institution suggested that board's would benefit from the services of an external examiner who could independently evaluate the information presented to the board by the administration and review the raw data that informs such reporting. Such an individual could enable the board to maintain its supervisory responsibilities by ensuring that the board is made aware of trends that administrators, including the president, may be presenting from an overly optimistic point of view. This role would be similar in nature to a team that is sent to an institution during an accreditation visit, but would be charged by the board of trustees rather than an accrediting association. Since board members are only present on campus a few days each year the evaluation of the college's position from an objective reviewer who is free of any internal entanglements would be of great benefit.

Finally, senior administrators and board leaders should be mindful of the tendency for board

members to judge the quality of the information they receive in light of the confidence they have in the individual presenting the information. One board member indicated that the name of the individual who has produced or presented a report should be listed so that members know the source of the data. Consequently, the individual delivering the information appears to be as important as the content of the information. College presidents in particular would be well advised to place the responsibility for reporting to the board in the hands of those who have the greatest credibility.

Summary

The purpose of this study was to examine the role of formal and informal sources of information on a governing board's decision to close its doors, merge with another institution, or struggle for survival. The results of the study indicate that boards gather information through both formal and informal channels and both are vital to their decision-making process. As an institution enters a period of crisis, the board's need for formal sources of information increases dramatically as the need for decisive action emerges. Formal and informal sources of information work together in complicated ways. Some trustees suggested that the formal sources were needed first, while others perceived the sources to be inextricably linked. Ultimately, the sources of information gathered by board members are filtered through their level of confidence in those producing and presenting information, limited or expanded by the president's leadership role, and influenced by the members' personal and emotional investments. The combination of these factors creates a decision making process that is non-linear and unpredictable, since the dynamics of each situation will influence the outcome in different ways.

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